

Response of EFET, EURELECTRIC, NORDENERGI and MPP to the Bundesnetzagentur consultation on the CORE Capacity Calculation Methodologies



27 October 2017

The European Federation of Energy Traders (EFET), EURELECTRIC, NORDENERGI and the Market Parties Platform (MPP) thank the German NRAs Bundesnetzagentur for the opportunity to comment on the updated draft capacity calculation methodologies (CCM) proposed by the TSOs of the CORE region. We regret that no coordinated approach by the NRAs in the CORE region has been put in place in order to jointly consult stakeholders.

The CORE CCM proposal submitted to the NRAs of the region has been slightly reviewed since the initial proposal in June. However, despite the minor adjustments, we still believe that the proposal falls short of our expectations.

As it stands, we do not believe that the CORE CCM should be approved by the concerned NRAs. The proposed CCM is in conflict with EU Regulations. The general approach of the TSOs is questionable with regard to the principle of non-discrimination of cross-border transaction vs. internal transaction laid down in Regulation No 714/2009 and Regulation No 2015/1222 and with regard to the management of internal congestions by limiting cross-zonal exchanges.

Overall, methods are not well described, with far too little detail. It does not provide a methodology for the selection of critical network elements (although it foresees such methodology in the future, but we think that it should be fully part of the binding document since it is a core element of the CCM).

The Core TSOs also need to transparently justify the optimality of the methodology. The proposed CCM does not justify the use of external constraints nor does it explain how such constraints are calculated.

The binding documents do not provide any guarantee that transparency on the key flow based parameters will be given to the market. In our answer this summer, we

provided a list of elements that we consider as basic transparency elements that should be published in order to comply with transparency obligations.

Last but not least, we note from paragraph 1.2 of the “Consultation Report Core CCR CCMs” of September 2017 that the TSOs actually admit that the proposal is not ready and needs to be elaborated. It seems that the TSOs propose to further develop the proposals in parallel to the NRAs reviewing the proposals. Such a parallel process is however not acceptable. The NRAs need elaborated proposals that meet the legal requirements and can only approve such proposals if relevant legal requirements are met.

You will find below a selected list of detailed remarks on the TSOs’ reply to our initial comments of July. Our four organisations are at the disposal of Bundesnetzagentur and any other interested party for follow-up questions or clarifications:

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Non-exhaustive list of comments on the proposed CORE Day-Ahead CCM

Market comments sent (Summer)	CORE TSO's inclusion of Market comments	Market comments (October update)
<p>Article 5 is titled “methodology for critical network elements and contingencies selection”. However, this article does not describe any methodology. It simply states that TSOs shall select critical network elements. So instead of describing a methodology it only gives the right to TSOs to select CNEs. It also refers to Article 72 of the SO GL. However, that article does not deal with CNEs. Full transparency on the criteria used by each TSO to select CNEs should be part of the methodology.</p>	<ul style="list-style-type: none"> - List of CNE and Contingencies - If a TSO decides to keep a CNEC although it is not influenced by changes in bidding zone net position, he has to provide to CORE NRAs a clear description of the situation - TSO commitment to deliver in Q118 a report describing detailed approach for finalization of the open issues related to CNEC selection - Upcoming finalization of methodology and consultation on “methodology for CNEC selections”, leading to an update of article 5 	<p>Although the new article 5 provides more information than the previous one, we are still missing a methodology for CNEC selections. We welcome the obligation to provide a description of the situation to NRA. This description should also be published available to the market.</p> <p>The proposed updated process however still does not provide sufficient guarantees that a real improvement will be made (for instance, there is no clear deadline for the finalisation of the methodology and consultation on the “methodology for CNEC selections”, which should be part of the legally binding CCM).</p>

The possibility to select internal lines or transformers (not tie-lines) as critical network element is questionable as this basically means that a possible congestion on such internal line will be managed by limiting cross-zonal trade. It seems discriminating cross-zonal trade towards trade within a zone. It also means that internal (national) measures within the bidding zone (like redispatch) are not taken into consideration to manage such congestion. Such practice is in conflict Article 16(3) of Regulation No 714/2009 and Article 1.7 of the Guidelines on the management and allocation of available transfer capacity of interconnections between national systems (Annex I of Regulation No 714/2009): “... TSOs shall not limit interconnection capacity in order to solve congestion inside their own control area, ...”. This article also allows for deviation from that general rule, in some cases, however then this shall be justified.

- Minimum RAM for the CNECs determining the cross-zonal capacity

It seems that TSOs propose to implement a minimum RAM principle (in the legally binding document). We think that the minimum RAM approach is one way to implement the necessary arbitrage between redispatching and cross-border capacity restriction (via countetrading), and hence, improve dispatch efficiency at regional level. However, we still miss clarity on the objective function for setting the level of minimum RAM. More details on the proposed minimum RAM are needed. What is the process to determine and validate it?

The CWE region applies a 5% criterion for identifying CNEs (or CBs) The 5% criterion means that a CB, to be selected, has to have at least one zone-tozone PTDF that exceeds 5%. So, in the CWE region “significant” means that a line must be affected with at least 5% of a cross-zonal transaction. However, although this 5% criterion is apparently currently being applied, it has never been approved. On the contrary, it was identified as one of the open issues that still need to be resolved. In their Position Paper on CWE Flow-Based Market Coupling of March 2015, the CWE NRAs write the following (in paragraph 9.12 CBCO selection): “The project has proposed the rule of 5% to identify a critical branch (the 5% criterion means that a CBCO, to be selected, has to have at least one zone-to-zone PTDF which exceeds 5%). It is stated in the Approval Package that this rule was assessed inside the project to be efficient. This has nevertheless not been demonstrated to CWE NRAs. If there is room for improving this CB selection rule, this could lead to a higher global welfare. As a matter of fact, a network element not considered as a CB in the Flow-Based methodology cannot limit cross-border exchanges. If an overload is expected on this line, the relevant TSO(s) may have to activate potentially costly remedial actions such as re-dispatching. Moreover, the current rule does not prevent the fact that constraints with very low PTDF are active and may have huge impact on prices. Therefore, CWE NRAs consider that the project has to demonstrate, at the latest when applying for a capacity calculation

Our comment sent in July remains valid. The methodology proposal still contains no justification for the 5% threshold.

We call for the principle that no CNE should be considered in the capacity calculation before it is proven it is more efficient to consider them than to rely on costly remedial actions.

Furthermore, the selection should be performed for every market time unit and not systematically.

<p>methodology in the frame of the CACM Regulation, whether the 5% rule is optimal, or what other rule could lead to such optimality. The Flow-Based methodology would have to be adapted consequently. This demonstration of the optimality of the 5% criterion was never provided and is also not provided by the proposed CCM.</p>		
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Article 7 allows TSOs to further limit cross-zonal trade by imposing external constraints (maximum import and export constraints of bidding zones). However, there is no methodology described. Again, this topic was also identified by the CWE NRAs in their opinion of March 2015. In section 9(7) it is written: The current CWE Flow Based domain is limited by constraints which are not only the Critical Branches-Critical Outages. These – so called – external constraints represent what TSOs explain to be a maximum import or export position for their system due to other aspects of secure system operation such as voltage stability. These constraints limit quite often the Flow-Based domain (42% of congested hours in 2013). The CWE NRAs therefore require that a justification of the external constraints principle and in their values/calculation mechanism is provided by each TSO to its NRA. These explanations will be shared among the CWE NRAs. On the basis of these studies, to be provided 9 months after go-live, it could be decided to adapt or remove these external constraints in the frame of the FB MC methodology. 13 Article 7(3) allows TSOs to use external constraints to avoid too large deviations from the reference flows. Such objective cannot be an acceptable criterion. Such issues should be covered by the reliability margin.

Article 8 is keeping these principles, but limiting it to some TSOs.

There is still no methodology described.

<p>Article 9 does not provide a harmonized methodology for GSKs. Should TSOs think that local specificities prevent harmonization of principles and methodologies, these specificities should be clearly explained. Article 9(1.c) mentions a common methodology that translates a change in the net position to a specific change of generation or load. However, that method is not described in the CCM. The CCM as proposed for the CCR Nordic provides much more detail on the RM methodology.</p>	<p>Article 10 has been complemented with a proposed improvement process:</p> <ul style="list-style-type: none"> - Core TSOs shall further detail the harmonized approach for GSK, via a report in Q118 describing the specificities of each TSO - Discussions with stakeholder and consultations - Updated GSK methodology (without a time line) 	<p>The comments we made during the TSO consultation remain valid. While we appreciate that it is recognised that the GSK methodology lacks harmonisation, we maintain that the most relevant GSK methodology should lead to minimum Flow Reliability Margins. The proposed updated process still does not provide sufficient guarantees that a real improvement will be made (for instance, there is no clear deadline for the finalisation of the methodology and consultation). We think that the selection of GSK methodology based on a periodical efficiency assessment should be part of the legally binding document.</p>
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<p>Article 10 deals with the methodology for remedial actions. However, the method is not described. The CCM only stipulates that the calculation can take (preventive or curative) RAs into account. Secondly, it is unclear why CCR Core does not consider redispatching and countertrading as RAs. Article 10 only mentions changing the tap position of phase shifting transformers and topological measures as possible remedial actions. In addition, Article 10 of the binding document does not mention “changing generator in-feed” as a possible remedial action, while the article 2.1.4 of the explanatory note does.</p>	<p>Article 11 confirms previous article 10</p>	<p>Our comments remain valid.</p>
<p>Article 11 does not specify when inputs must be provided to the CCC.</p>	<p>Article 12 confirms previous article 11</p>	<p>Our comments remain valid.</p>

Article 13 foresees the use of a “LTA inclusion” patch. Given the overall proposal (and in particular the lack of ambition with regards to remedial actions), we consider that requiring TSOs to deliver a minimal guaranteed DA and/or ID capacity (or FB domain) might be a pertinent manner to make TSOs facing internal constraints pay for their resolution instead of reducing congestion rent shared with the other TSOs. However, the fact that the DA domain violates the LT domain should not be the sole trigger for considering additional remedial actions. The level of cross-zonal capacity should be maximized in all timeframes, considering costly and non-costly remedial actions on an equal footing with reduction of cross-zonal capacity. Reduction of cross-zonal capacity should only be considered when economically efficient remedial actions from the overall welfare perspective have been exhausted.

Article 14 is the same as previous article 13, but has been complemented with :

In exceptional circumstances each Core TSO may, for reasons of security of supply and pursuant to Article 76 of the SO GL, request a minimum import capacity for one or more MTUs. In this case NPj in Equation 8 will be adjusted accordingly. The acceptance of the minimum import capacity is subject to positive validation in accordance with Article 21. Costs stemming from accommodating the request shall be covered by the methodology to be developed according to Article 74(1) of the CACM Regulation.

Our comments remain valid. We also would like to understand what the different is between external constraints (article 8) and article 14.4.

<p>Article 14 deals with the optimisation of remedial actions (RAO). The objective function for this optimisation is not given. Overall, the CCM merely repeats what is already laid down in Article 25 of the CACM Regulation without providing actual methods.</p>	<p>Article 15 confirms principles of article 14, complemented with a process for update (following a report, proposition and consultation).</p>	<p>At this stage, the proposed updated process does not provide sufficient guarantees that a real improvement will be made (for instance, there is no clear deadline for the finalisation of the methodology and consultation). We think that a real harmonised methodology should be part of the legally binding document.</p>
<p>Article 15 is unclear. It refers to the Evolved Flow Based methodology however that method is not described. It is also unclear whether the “HVDC interconnectors” as mentioned in this article refer to actual tie lines between two bidding zones and/or whether these are HVDC-lines within a bidding zone</p>	<p>Article 16 provides more information on EFB.</p>	<p>The new wording of Article 16 is clearer. It refers only to HVDCs on borders with CORE.</p>

<p>Article 16 does not provide sufficient explanation on how the assumptions on what will be the possible non-Core exchanges will be determined. Moreover, article 16 mentions the impact of non-CORE CCR borders, but does not 14 provide explanation on the impact of external borders such as the Swiss borders.</p>	<p>Article 17 provides more information on impact of non-core CCR borders</p>	<p>We appreciate the new wording.</p>
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<p>Article 20 covers the validation methodology. This article describes what TSOs may do. It does neither prescribe what they shall do, nor what they may not do. Validation should be done to correct mistakes. However, it seems that validation as described in this article will result in additional reductions of the capacities (either through a FAV or through an external constraint) without any transparent justification. Article 26 of the CACM Regulation requires a validation process, however in accordance with Articles 27 to 31 of the CACM regulation, which is not ensured by Article 20 of the CCM. Paragraph c mentions that TSO may request to launch the default FB parameters “in exceptional situations”. What are these exceptional situations?</p>	<p>Article 21 confirms the possibility to reduce cross-border capacity. It adds the requirements to</p> <ul style="list-style-type: none"> - Justify to NRA - Inform the Market <p>The list of exceptional situations is also given, but it refers (amongst others) to “exceptional contingency” which is not described.</p>	<p>Our concerns remain valid. We lack sufficient explanation about these exceptional situations. We think that the justification should also be transparent to the market.</p>
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<p>Article 23(3) mentions that monitoring data shall be treated confidential by the NRAs and shall not be disclosed to the public. This is unnecessary and undesirable. NRAs should have the possibility to disclose monitoring data if they feel that this can provide insights and thus improve the monitoring. NRAs should obviously assess which data should be treated confidential. Therefore, proposal to change 23(3) into: "Monitoring data shall be disclosed to the public, with the exception of confidential data."</p>		
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In addition, we would like to draw your attention to the following concerns we expressed during the summer consultation:

- Article 21 (b)(ii) of the CACM Regulation requires that the CCM include a detailed description of the rules to avoid undue discrimination between internal and cross-zonal exchanges. However, that description is missing.
- The CCM does not contain a procedure to compare the calculated results with actual, metered flows. For example, TSOs should check whether active CNEs also carry high flows (at their N-1 maximum capacity) in actual operation. If not, it should be checked whether this can be explained by unforeseen events or whether there is a structural issue in which case the parameters should be adapted.
- Transparency: the methodology does not provide any clarity on the transparency that will be granted to the market. A clear view on the necessary publication is given in the introduction of this paper. We learnt from the CWE flow based process that ensuring transparency was and continues to be a time-consuming struggle. What we also learnt from that process is that the needed transparency measures should be included explicitly in the legal proposal in order to avoid interpretive confusion later on: the CWE flow based project was accepted by the CWE regulators under the condition that several open issues still needed to be resolved (see “Position Paper of CWE NRAs on Flow-Based Market Coupling of March 2015”). Several of these open issues are still not resolved to this day.

In conclusion the proposed CCM is in conflict with EU Regulations. Overall, methodologies are not described with enough detail. Most importantly, the CCM does not provide a methodology for the selection of critical network elements (although it foresees such a methodology in the future, but we think that it should be fully part of the binding document since it is a core element of the CCM). And the Core TSOs also need to transparently justify the optimality of the methodology. The proposed CCM does not justify the use of external constraints nor does it explain how such constraints are calculated.

Non-exhaustive list of comments on the proposed CORE Intraday CCM

Market comments sent (Summer)	CORE TSO's inclusion of Market comments	Market comments (October update)
<p>Article 5 does not specify the frequency of reassessment of capacity in the intraday timeframe. This is not compliant with Article 21(2). Article 5.5 mentions that the TSOs shall provide the NEMOs with the ATCs for each bidding-zone border in case the allocation mechanism expects ATCs. The article only mentions that "...TSOs shall derive these from the coordinated flow-based parameters" but there is no explanation on how this will be done.</p>	<p>Article 5.2 mentions at least 2 calculations. It also mentions that "if feasible and of added value"</p> <p>No information is given on how to derive ATC.</p>	<p>We appreciate that at least two calculations will be performed, but we miss accuracy on how the assessment of the "feasibility" and "added value" will be made. A study and methodology is mentioned, but no deadline has been proposed.</p> <p>Our concern on ATC remains valid.</p>
<p>The same shortcomings related to the selection of internal network elements as CNEs and the application of external constraints as identified in the dayahead CCM also apply to the intraday CCM</p>	<p>Article 6 gives the list of CNE and of contingencies, but no methodology for selecting them.</p> <p>Article 6.7 mentions a "minimum RAM" that TSOs shall aim at.</p>	<p>Our concerns remain valid.</p> <p>No description of the minimum RAM is given.</p>

<p>Article 7(d) allow for reduction of the admissible flow on a CNE (and thus on the cross-zonal capacities) for unclear reasons and without any method that could justify such reductions.</p>	<p>Article 8 foresees possible reduction (FAV), in accordance to article 20.</p>	<p>Since article 20 does not provide more explanation/methodology, our concern remains valid.</p>
<p>Article 9(1.a) mentions a risk level being applied yielding the FRM values. There is no method described nor criteria are given on how such risk levels are actually set.</p>	<p>Article 10.2 is providing more information than previous article 9.1.</p>	<p>We appreciate the details added to the methodology, in particular on the computation of the expected flow vs realised flow. However, we regret that TSOs provide no impact assessment of the 10% risk policy that they use. In our view, the risk level should be set based on efficiency criteria, similar to the selection of critical network element. In particular, it should be duly considered that TSOs may redispatch or countertrade if the worst cases materialise.</p>

<p>Article 10(1.c) mentions a common methodology that translates a change in the net position to a specific change of generation or load. However, that method is not described in the CCM.</p>	<p>Article 11.2 lists what CORE TSOs may do, but does not give detail on what they will do. Article 11.3 mentions that the methodology will be continuously “tested and improved”, but without any clarification of the objectives and the assessment criteria.</p>	<p>Our concerns remain valid.</p>
<p>Article 11 deals with the methodology for remedial actions. However, the method is not described. The CCM only stipulates that the calculation can take (preventive or curative) RAs into account. Secondly, it is unclear why CCR Core does not consider redispatching and countertrading as remedial actions. Article 11 only mentions changing the tap position of phase shifting transformers and topological measures as possible remedial actions.</p>	<p>Article 12 is similar to previous article 11.</p>	<p>Our concerns remain valid.</p>
<p>Article 12 does not specify when inputs must be provided to the CCC.</p>	<p>Article 13 does not specify it neither.</p>	<p>Our concerns remain valid.</p>

<p>Article 14 deals with the optimisation of remedial actions (RAO). The objective function for this optimisation is not given. Overall, the CCM merely repeats what is already laid down in Article 25 of the CACM Regulation without providing actual methods.</p>	<p>Article 15.d. mentions that the RAO consists of a coordinated optimization of cross-zonal capacity by means of enlarging the flow-based domain.</p>	<p>Our concerns on the lack of description remain valid. On top of this, we think that the RA should not only be transparent to all TSOs, but also to the market.</p>
<p>Article 15 is unclear. It refers to the Evolved Flow Based methodology however that method is not described. It is also unclear whether the “HVDC interconnectors” as mentioned in this article refer to actual tie lines between two bidding zones and/or whether these are HVDC-lines within a bidding zone.</p>	<p>Article 16 is bringing more clarity.</p>	<p>We appreciate the new wording.</p>
<p>Article 17 (1.a) mentions “execution of the rules for the previously allocated capacity”. It is unclear what these rules are</p>	<p>Article 18.1.d confirms article 17.1.a</p>	<p>Our concerns remain valid.</p>
<p>Article 17 (b) can be deleted. It is unnecessary to mention that redundant constraints are removed, as they are anyhow respected.</p>	<p>Article 18.1.e confirms article 17.b</p>	<p>Our concerns remain valid.</p>

<p>Article 19 covers the validation methodology. This article describes what TSOs may do. It does neither prescribe what they shall do, nor what they may not do. Validation actions will result in reductions of the cross-zonal capacities (either through a FAV or through an external constraint) without any transparent justification. Article 16 of the CACM Regulation requires a validation process, however in accordance with Articles 27 to 31 of the CACM regulation, which is not ensured by Article 19 of the CCM.</p>	<p>New article 20 confirms principles of article 19</p>	<p>Our concerns remain valid:</p> <ul style="list-style-type: none"> - No clear validation process - No description of “exceptional contingency” - No description of situation where “potential redispatch or countertrade” may not be available. We would like to understand “for what” ? What is the criteria to assess that it is insufficient ? <p>We appreciate that any reduction will be communicated to the market and justified to the CORE NRAs, but we think that the justification should also be transparent to the market.</p>
<p>Article 22(3) should be rephrased into: “Monitoring data shall be disclosed to the public, with the exception of confidential data.”</p>	<p>Article 23.3 is the same as previous 22.3</p>	<p>Our concerns remain valid. Transparency is not sufficient.</p>

<p>Article 23.4 mentions that “Core TSOs are willing to work on a solution that fully takes into account the influence of the adjacent CCRs ...”. This is not compliant with Article 20(5) of the CACM Regulation. It also mentions an “advanced hybrid coupling concept”, however that concept is not described.</p>	<p>Article 24.4 is the same as previous 23.4</p>	<p>Our concerns remain valid.</p>
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